

**Congress of the United States**  
**Washington, DC 20515**

February 23, 2023

Ramona D. Elliott  
Acting Director  
Executive Office for United States Trustees  
U.S. Department of Justice  
950 Pennsylvania Avenue, NW  
Washington, D.C. 20530

Dear Acting Director Elliott:

As the Congressional sponsors of the Puerto Rico Recovery Accuracy in Disclosures Act (PRRADA) of 2021, we are proud that the law is working as intended, to bring transparency to Puerto Rico's bankruptcy restructuring. The people of Puerto Rico deserve no less.

Because of PRRADA, any professionals advising the Financial Oversight and Management Board (FOMB), including consultants, accountants, and law firms, are now required to reveal to the people of Puerto Rico all their conflicts of interest. Puerto Rico taxpayers are expected to exceed \$1.6 billion in fees and expenses paid to FOMB advisors by fiscal year 2026, but they are only recently learning about these advisors' conflicting connections.<sup>1</sup>

Following disclosures made pursuant to PRRADA, media accounts revealed that some advisors, including O'Neill & Borges and McKinsey & Co., may have severe conflicting interests. According to the Bond Buyer,<sup>2</sup> the law firm O'Neill & Borges faced scrutiny after a private citizen filed a motion in the U.S. District Court for Puerto Rico, claiming that the firm represented the FOMB while also representing four financial firms<sup>3</sup> that acquired a \$384 million loan portfolio from *Banco de Desarrollo Económico para Puerto Rico* (BDEPR). BDEPR transactions are overseen by the FOMB.

Separately, the Wall Street Journal reported that the consulting firm McKinsey & Co., which is estimated to have earned at least \$120 million in advising fees to the FOMB, also had Quanta Services among its clients. Quanta Services owns half of LUMA Energy, the private company that won the lucrative 2020 contract to operate Puerto Rico's electric transmission and distribution system, which was reviewed and approved by the FOMB.<sup>4</sup> The list of potential

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<sup>1</sup> Fee Examiners Report, Case 17-03283, Doc. 22702 (DPR 10/26/2022)

<sup>2</sup> Robert Slavin, *Attorney claims Puerto Rico Oversight Board law firm had conflict*, The Bond Buyer, May 25, 2022, <https://www.bondbuyer.com/news/attorney-claims-puerto-rico-oversight-board-law-firm-had-conflict>

<sup>3</sup> PR Recovery and Development JV, Parliament Capital Management, Parliament High Yield Fund, and Island Portfolio Services.

<sup>4</sup> Alexander Gladstone, *In Puerto Rico's Troubled Energy System, McKinsey Gets Paid by Both Government and Vendors*, The Wall Street Journal, October 10, 2022, <https://www.wsj.com/articles/in-puerto-ricos-troubled-energy-system-mckinsey-gets-paid-by-both-government-and-vendors-11665419560>

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conflicts does not end there. The Wall Street Journal found<sup>5</sup> that McKinsey clients benefiting from multi-billion-dollar contracts in Puerto Rico include:

1. EcoElectrica LP and EcoElectrica's parent company, Naturgy Energy Group SA. In 2019, the Commonwealth of Puerto Rico awarded the two companies a \$9 billion contract for EcoElectrica to provide power and Naturgy to supply natural gas, according to public filings.
2. Puma Energy Caribe LLC, which since 2018 has been awarded contracts worth more than \$2.1 billion to supply the embattled Puerto Rico Electric Power Authority ("PREPA") with fuel oil and diesel.
3. New Fortress Energy LLC d/b/a NFR Energía LLC, an energy company owned by SoftBank Group Corp. In 2019, the enterprise won a \$1.5 billion contract to convert two publicly owned power-generation facilities in San Juan Bay to run on natural gas.<sup>6</sup> Later in January 2023, Genera PR, a consortium and subsidiary of New Fortress Energy, entered in an agreement with the Puerto Rico Public Private Partnerships Authority (P3A) to operate 12 of PREPA's power generating units, buy fuel, and represent PREPA before the Puerto Rico Energy Bureau (PREB) for ten years, with a fixed annual fee of \$22.5 million, and the possibility of \$100 million in annual incentives. The contract also provides for the enterprise to receive \$15 million for its 100-days transition period.<sup>7</sup>
4. AES Corp., a Virginia-based utility and power generation company that operates a coal-fired generation plant in Puerto Rico.

Additionally, McKinsey's fee applications reveal that an associate partner was involved in "key decisions on privatization process" for the energy system in 2017. McKinsey later analyzed and proposed regulations for the "procurement, evaluation, selection, negotiation and award" of partnership contracts and sale contracts for the transformation of the energy grid. Finally, another partner guided the engagement strategy with the federal government on the electric utility's fiscal planning and privatization process.<sup>8</sup>

It appears that these professionals, who have a fiduciary duty to advise the FOMB, also have clients who benefit from multi-million and multi-billion-dollar transactions with the FOMB. We urge you to fully investigate any professionals serving the FOMB who have knowingly concealed or intentionally failed to disclose their conflicts of interest, or who have acted as interested persons<sup>9</sup> at any time during their employment as professionals in the PROMESA process.

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<sup>5</sup> *Ibid.*

<sup>6</sup> Istra Pacheco, *Genera PR sería "preferido" para manejar generatrices*, El Vocero, October 23, 2022, [https://www.elvocero.com/gobierno/agencias/genera-pr-ser-a-preferido-para-manejar-generatrices/article\\_227cb1a4-5026-11ed-b4b9-2be3b55f5391.html](https://www.elvocero.com/gobierno/agencias/genera-pr-ser-a-preferido-para-manejar-generatrices/article_227cb1a4-5026-11ed-b4b9-2be3b55f5391.html)

<sup>7</sup> Istra Pacheco, *Oficializan anuncio sobre privatización de manejo de generación de energía*, El Vocero, January 25, 2023, [https://www.elvocero.com/gobierno/oficializan-anuncio-sobre-privatizaci-n-de-manejo-de-generaci-n-de-energ-a/article\\_7961404c-9cad-11ed-aca0-8360b41dc20a.html](https://www.elvocero.com/gobierno/oficializan-anuncio-sobre-privatizaci-n-de-manejo-de-generaci-n-de-energ-a/article_7961404c-9cad-11ed-aca0-8360b41dc20a.html)

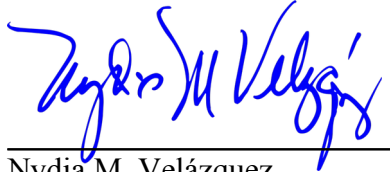
<sup>8</sup> *Supra.*

<sup>9</sup> 48 U.S. Code § 2178.

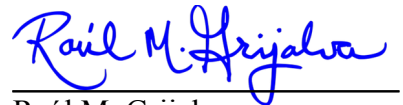
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Thank you for your service and for ensuring fair treatment for the people of Puerto Rico. If you have any questions, please contact Rachel A. Román of my staff at Rachel.Roman@mail.house.gov.

Sincerely,



Nydia M. Velázquez  
Member of Congress



Raúl M. Grijalva  
Member of Congress